

P. C. P. B. FILE

Summary of Meeting Held October 1949

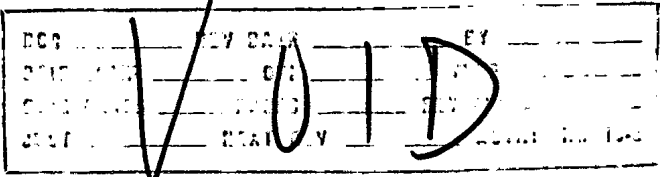
and Publications #1 and 2

1949 - 1950

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1. Summary of Meeting Held October 19, 1949

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STAT

P. C. P. B. #2

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President's Communications Policy Board

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Copy # 57 given to: General Bedell Smith
for comments

P.C.P.B. #2

September 3, 1950 (1)

BACKGROUND MATERIAL
RELATIVE TO THE TELECOMMUNICATIONS PROBLEMS
OUTLINED IN P.C.P.B. #1

TABLE OF CONTENTS

The following is a composition of Background Material relative to:

1. PROBLEM #1 in P.C.P.B. #1, which appears as: "The Increasing Demand for Frequency Assignments Within the Limitations of the Usable Radio Spectrum."
2. PROBLEM #2 in P.C.P.B. #1, which appears as: "Effectiveness of Administration of the Radio Spectrum by the United States."
3. PROBLEM #3 in P.C.P.B. #1, which appears as: "Unsound Conditions in the Domestic Commercial Telegraph Industry."
4. PROBLEM #4 in P.C.P.B. #1, which appears as: "The Effectiveness of the FCC in Coping With Its Increased Workload."
5. PROBLEM #5 in P.C.P.B. #1, which appears as: "The Necessity for Formulating and Implementing a National Telecommunications Policy."
6. ASPECT FOR STUDY in P.C.P.B. #1, which appears as: "Merger of Commercial Overseas Communication Companies in Terms of Overall National Interest."
7. ASPECT FOR STUDY in P.C.P.B. #1, which appears as: "The Extent to Which the Government Should Continue Operation of Communication Facilities."
8. ASPECT FOR STUDY in P.C.P.B. #1, which appears as: "A Review of United States Telecommunications from the Standpoint of Monopoly."

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P.C.P.B. #2

September 3, 1950

INTRODUCTION

This pamphlet, P.C.P.B. #2, "Background Material Relative to the Telecommunications Problems Outlined in P.C.P.B. #1," has been compiled for the purpose of illuminating to some extent the depth, scope and relative importance of each of the eight parts of P.C.P.B. #1.

The material in this pamphlet is, for the most part, factual and as such may be helpful to the Board in its evaluation of the best course to pursue for the production of a satisfactory report.

INTRODUCTION

P.C.P.B. #2
BACKGROUND - PROBLEM #1

September 2, 1950 (1)

1. BACKGROUND MATERIAL SUGGESTING THE EXISTENCE OF PROBLEM NO. 1,
(FREQUENCY DEMAND)

1.1 General Summary.

1.11 The following comments summarize the present international and regional aspects of the radio spectrum below 27.5 Mc:

1.111 The Table of Frequency Allocations between 4 and 27.5 Mc adopted at Atlantic City in 1947 has not yet been implemented in spite of the efforts of the past three years, because of the many administrative, technical, economic, and political factors associated with the basic problem of excessive frequency requirements. Plans have, however, been prepared for the Aeronautical, Maritime, and High Frequency Broadcasting Services, and partially prepared for the Fixed Services.

1.112 The Table of Allocations below 4 Mc, which is for the most part regional in character, is ready to implement with regard to Regions 1 and 3. Region 2 has no regionally integrated plan as yet, even though it is about 85% completed below 2000 kc.

1.12 The position of the United States in relation to implementation of Atlantic City Allocation Plans as follows:

Taking into account the individual agency expressions in the Department of State preparatory committees for The Hague, (now postponed), there appears to be little sentiment that any assignment plan except the Allotment Plan for the Aeronautical Services is satisfactory. (This Allotment Plan does not make specific assignments.) This leaves the Maritime, Fixed, and High Frequency Broadcasting Assignment Plans between 4 and 27.5 Mc with no apparent solution that is satisfactory to the individual agencies of the United States. As there is no agency or body charged with the responsibility and authority of making an impartial and satisfactory evaluation of what the total national need is in terms of frequency assignments, the statements of the various agencies still leave the United States in a poor position to approach an international conference upon the subject of implementing allocation tables. This position is related to both the great apparent demand for frequencies by U. S. agencies and the impossibility of implementing any part of the new Atlantic City Allocation Table between 4 and 27.5 Mc by itself.

The Region 2 Assignment or Station List is not yet integrated among the nations of Region 2, even though the work is proceeding in this direction under U. S. impetus, chiefly on a basis of correspondence. It remains to be

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seen how long it will take and how workable the result will be between 2000 and 4000 kc.

The position of the United States as presented certainly points to the fact that, theoretically or actually, the entire difficulty stems from a scarcity of frequencies in relation to the demand. The validity of the demand is a separate question and can be explored in Problem 2 as presented. Some parts of the background of Problem 2 are pertinent to Problem 1 and should be so considered.

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BACKGROUND - PROBLEM #1

1.2 International Frequency Bands (4 to 27.5 Mc)

1.21 Quotation from the Report of the United States Delegation to the International Radio Conference, Atlantic City, 1947:

" . . . Under the presently effective Radio Regulations, [Cairo, 1935] the Bureau of the Union maintains the International Frequency list in which is recorded information concerning frequency assignments as notified to the Bureau by the various countries. As has been indicated above in connection with the discussion of the International Frequency Registration Board, no international machinery has been provided in the past for obtaining the maximum efficiency from the radio spectrum by coordinating frequency assignments on an engineering basis. Accordingly, the Frequency List as maintained by the Bureau does not represent assignments based on international planning; it simply collates information transmitted to it concerning frequency assignments, whether or not such assignments have been placed in operation.

"In preparatory work prior to the convening of the Conference, it became evident within the United States that it would not be feasible to continue the existing Frequency List and the procedures whereby it is maintained and that an entirely different approach is required. Among the reasons for this view are the following:

"1. A scientific engineering of assignments is necessary to meet present world requirements in the fixed and mobile services and to provide for the greatly expanded needs of world-wide aeronautical service and of the high-frequency broadcasting service; without such reengineering, the frequency bands will not accommodate the increased requirements of various radio services.

"2. In any event, new assignments will have to be found for a majority of the established services, particularly in the fixed and maritime services, in order for them to conform to the proposed new allocation table.

"3. A list based on planned coordinated assignments is necessary to permit the proposed IFRB to assume its functions of keeping assignments on a sound basis in accordance with the procedures described by at earlier point in this report.

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"In summary, what is required is a frequency list which reflects international planning in making assignments in accordance with carefully developed engineering principles rather than a list consisting merely of a compilation of information as to assignments made, generally without adequate coordination, by the various countries."

"This subject had been briefly considered at the Third Inter-American Radio Conference, held at Rio de Janeiro in 1945, where it was generally agreed that there was need for a new list. In the United States, a group of technicians had come to the conclusion that the only practical solution was a complete engineering of the high-frequency portion of the radio spectrum. It was believed that, in order to accommodate all necessary requirements within the appropriate bands and reduce interference to the minimum, it would be necessary to formulate a coordinated master plan on a world-wide basis, involving time-sharing and geographic-sharing of specific frequencies and the selection of frequencies within each band which would be most efficient from an engineering point of view for the particular circuits and services in question. However, the comprehensive surveys and the detailed data necessary to translate this general concept into concrete terms were not available, and the magnitude of the task was not generally appreciated, even in the United States. . . ."

(Library Ref. C3)

- 1.22 The International Radio Conference, Atlantic City, 1947, therefore established the Provisional Frequency Board (PFB) and specifically charged it with the preparation of the new International Frequency List. One of the more important directives to the Board follows:

"§ 11. The P.F.B. shall have as its objective the preparation of an International Frequency List based on an engineering plan which will improve the utilization of the radio spectrum by providing for the continued operation of all services in every country, while eliminating harmful interference. In addition, the P.F.B. shall endeavour, in formulating such a plan, to make adequate provision for the future development of new radio services and the expansion of existing services, so that all countries may improve and increase their services to the fullest extent practicable. The P.F.B. shall treat communications services which were interrupted by the World War II and which have not yet been restored, on the same basis as existing services, and, in addition, shall give special consideration to the needs of countries where natural developments have been impeded, especially as a result of World War II."

(Library Ref. C2)

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BACKGROUND - PROBLEM #1

- 1.23 The PFB commenced its work on January 15, 1948, and, while it was to complete its tasks by November 15, 1948, its life was extended until February 28, 1950. In spite of this extension, the results are incomplete. The major reasons for the prolongation and incompleteness of the Board's work are quoted from the Report of the Delegation of the United States to the PFB in the order of importance:

"Summary of Difficulties Experienced

The foregoing factors, viz.,

- 1) The disinclination of National members to effect an appreciable and realistic reduction of requirements; and
- 2) The misapplication of the frequency complement rules, resulting in more frequencies per circuit, in many cases, than necessary or are presently employed; and,
- 3) The delay, estimated at two and one-half months, resulting from protracted debates at the insistence of the U.S.S.R."

(Library Ref. C8)

- 1.24 In view of this situation, the Administrative Council of the International Telecommunications Union adopted in September, 1949, Resolution 154, calling for the convening of an Extraordinary Administrative Radio Conference, to convene at The Hague on September 1, 1950, for the following purposes:

" That the agenda of this conference includes, in addition to the task given to the special conference contemplated by the resolution relating to the preparation of the new international frequency list adopted by the International Radio Conference at Atlantic City, the following items: . . .

"A. Completion of the preparation of the said list as regards those portions of the spectrum where the problem gives rise to the difficulties which cannot be solved by the PFB within its terms of reference, but taking into account the work and the recommendations of the PFB,

"B. Decision, when approving the new International Frequency List, on the time and manner of entry into force of the list,"

(Library Ref. C1 - EARC 20)

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- 1.25 Responding to the calling of the Extraordinary Administrative Radio Conference, the United States, under the aegis of the Department of State, proceeded to prepare for the Conference and, on May 29, 1950, informed the Secretary General of the International Telecommunications Union in part as follows:

"The United States considers that world radio usage makes it essential that the frequency allocation table of Atlantic City 1947 be implemented at the earliest practicable date in the most efficient and orderly manner possible, and thereby insure the maximum benefits for all services. Accordingly, the United States proposes that all members of the International Telecommunication Union come to the Extraordinary Administrative Radio Conference with a firm determination to work out methods at the Conference to achieve this goal."

(Library Ref. Cl. - EARC 63)

- 1.26 Mindful of its role as a coordinating organ of the United Nations, the Transport and Communications Commission of the United Nations' Economic and Social Council recommended, and the Council adopted on July 12, 1950, a resolution reading in part as follows:

". . . . Aware that communications by radio may become thoroughly disrupted through interference if the Extraordinary Radio Conference to approve the International List of Frequencies called by the International Telecommunication Union (I.T.U.) for 1 September 1950 is not successful in the task of effecting an orderly arrangement of radio frequencies which was entrusted to it by the Atlantic City Telecommunication Conferences as well as by the Administrative Council of the I.T.U.,

"Conscious that such disruption will be highly detrimental to existing services especially in the fields of aviation, shipping, point-to-point radiotelegraphy and radiotelephony, safety-aids to navigation, broadcasting, and police and security services which, in turn, will have the most adverse effect in the fields of economics, culture, education and health, which are specifically entrusted to the Council under Article 62 of the Charter,

"Resolves to direct the Secretary General to bring the foregoing considerations to the attention of all Members of the United Nations requesting those of them which attend the Extraordinary Radio Conference to give this matter the most careful consideration at the highest policy level and to

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"direct their representatives at the Conference to take steps to ensure that the Conference shall reach a successful conclusion without unnecessary delay, which can only be brought about by a broad cooperative and realistic approach to the problems."

(Library Ref. C35¹)

- 1.27 However, on July 21, 1950, the Department of State transmitted, on the recommendation of the Telecommunications Coordinating Committee, a telegram to the Secretary General of the I.T.U. and to most other Members of the Union "advising them that this Government sees little advantage in holding the Extraordinary Administrative Radio Conference in September, 1950, and recommending that this Conference be postponed to a later date to be determined by the I.T.U. Administrative Council." A majority of the member nations concurred and as a result the Conference will not be held as scheduled.

(Library Ref. C1 Notice 7/28/50)

- 1.28 The following is a list of some of the more pressing problems which remain to be solved, as presented by the Preparatory Committee of the Department of State:

"1. Some form of approval of the Rapallo High Frequency Broadcasting Plan, possibly with directives for a method of early implementation. In this connection see attached Document No. 302-E of July 4, 1950 of the Rapallo Conference.

"2. Some form of approval of the International Administrative Aeronautical Radio Conference (IAARC) Allotment Plan, with or without recommendations on the method of implementation.

"3. Some form of approval of the PFB Maritime Service Plans, with consideration of the problem of implementation (by the 'Evolutionary' process or otherwise.).

"4. Study of the problems which will confront EARC in connection with the Fixed Service List.

"5. General exchange of views on the over-all problems to be faced in connection with implementation; possibly coordinated recommendations on this topic.

"6. Ways and means by which the IFRB, possibly with emergency terms of reference, can usefully devote its time in the interim:

"(a) by carrying out such studies as may be helpful to and save the time of EARC.

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" (b) By collaborating with administrations, for instance, in helping carry out the process of 'evolutionary' implementation of the maritime frequency lists.

"7. The adoption of the directives to fill the gaps where the lack of suitable directives to the PFB proved to be a serious handicap to that Board."

(Library Ref. C1 EARC Notice 7/28/50)

- 1.29 Excerpt from the views of the United Kingdom on the task of the Extraordinary Administrative Radio Conference, The Hague, (scheduled to convene on September 25, 1950, but now postponed), June, 1950:

"... In general, however, there seems little doubt that the weight of 'projected' /frequency/ requirements /of the nations of the world/ added to the inflated frequency demands arising from the attempt to apply ideal technical standards, has created an apparent requirement for frequency assignments far in excess of the capacity of the frequency bands available. . . ."

(Library Ref. C1 - EARC 81)

1.3 Regional Frequency Bands (The Majority of the Bands Below 4000 kc).

- 1.31 The International Radio Conference, Atlantic City, 1947, made provision for dealing with regional bands by regional administrative conferences. However, such station frequency assignment plans or lists for these bands would be integrated with PFB plans or lists and submitted as a whole for international approval and fixing of an implementation date. Nevertheless, at the instigation of the United States, the following easement was adopted with respect to Region 2 (North and South America, Alaska, and Hawaiian Islands):

"However, all or any portion of the band 150-2850 kc/s, which is not subject to consideration by the Provisional Frequency Board, may come into force in Region 2 on or after January 1, 1949, in accordance with special arrangements agreed upon by the interested countries of that Region."

(Ref. Atlantic City, 1947, para. 1076.1¹), Library Ref. C2)

- 1.32 At the Region 2 Conference held in Washington in the summer of 1949, the United States presented a proposal for procedures to be followed by the Region 2 countries in preparing a Region 2 station frequency list which was in principle adopted.

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BACKGROUND - PROBLEM #1

1.33 The resolution gave the procedural steps to be taken by each administration in preparing its station frequency assignment lists as follows:

"a) Complete frequency lists, containing the particulars of assignments in the frequency bands listed in paragraphs 2 to 8 above shall be prepared by each administration in the form shown in Appendix 1, using the procedures set forth in Appendix 2;

"b) Every effort shall be made to submit the complete frequency lists to the Special Administrative Conference by September 15, 1949, for inclusion in the new International Frequency List;"

"If the Special Administrative Conference is postponed to a date later than December 15, 1949, the dates of September 1, 1949, and September 15, 1949, established by paragraphs 8(2)(e) and 9(b) of this Resolution shall not apply. In this case, the lists shall be submitted at least ninety days before the new date of the Special Administrative Conference."

(Ref. Region 2 Resolutions and Recommendations, Washington, 1949, Library Ref. C27)

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BACKGROUND - PROBLEM #2

September 3, 1950 (1)

2. BACKGROUND MATERIAL SUGGESTING THE EXISTENCE OF PROBLEM NO. 2
(EFFECTIVENESS OF ADMINISTRATION OF THE RADIO SPECTRUM)

2.1 General Summary.

The various excerpts quoted from statements of the Department of State, RCA, the Hoover, Sadowski, and McFarland reports, all point to the necessity of an overall mechanism designed to coordinate and regulate the use of the radio spectrum. In view of the close relationship of Problem 1 and Problem 2, the material presented as Background for Problem 1 must also be considered in part as pertinent background supporting the existence of Problem 2.

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2.2 Recognition by the Department of State of the need for reorganization of the Telecommunications Coordinating Committee (TCC Doc. No. 506, Organization/54, July 6, 1949)

2.21 Statement of the problem by the Department of State:

"The responsibilities and interests of many U. S. Government agencies in the field of telecommunications and the volume and complexity of telecommunications problems which arise make essential an effective, regularized machinery for inter-departmental coordination in this field. The Telecommunications Coordinating Committee (TCC) has served this purpose well, but its effectiveness has at times been handicapped by poor organization and procedures and lack of adequate secretariat.

"The problem is to improve the organization and procedures of TCC so as to engender complete confidence and full participation by all U. S. Government agencies having interest in telecommunication matters by assuring (1) full consideration of pertinent interests of U. S. Government agencies having responsibilities in the field with respect to each question referred to TCC, and (2) adequate consideration of such questions at sufficiently high level but avoiding policy level consideration of detailed technical problems."

(Library Ref. Og 13)

2.22 To clarify 2.21 above, the directive of the TCC follows:

"The coordination of policies of the various departments and agencies of the United States Government relating to domestic and international communications matters in order to encourage the most efficient system for international communication by wire and radio; promote the national defense and security; develop the most effective use of wire and radio facilities as an instrument for the expansion of foreign trade; provide the most efficient and economical system for handling wire and radio communications of the various departments and agencies of the United States Government; and advise on problems of an international nature including preparation for international telecommunications conferences. The Committee shall act in an advisory capacity only, but may take final action when specifically authorized by unanimous concurrence of all government agencies represented by the membership. The Committee shall maintain close liaison with the Cryptographic Security Board, the Air Coordinating Committee and the United States Central Intelligence Agency. In accordance with the foregoing, the primary objective of this Committee is the formulation of a national communications policy."

(Library Ref. Og 13)

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2.3 Absence of a national policy governing overall administration of the radio spectrum.

2.4 Quotation from the Hoover Task Force Report on Regulatory Commissions, Appendix N, January, 1949:

"The outstanding attribute of the Commission /FCC/ today is its lack of a comprehensive regulatory program The other /than broadcast/ radio services are being developed and exploited with a minimum of Commission guidance."

(Library Ref. Rg 23)

2.5 Quotation from a Staff Study for the President's Communications Policy Board by the Radio Corporation of America:

"There is a clear need for reorganization of the present governmental machinery for allocation and assignment of radio frequencies so as to provide for evaluation on a fair and impartial basis of the competing claims of private and governmental users."

(Library Ref. Rp 1)

2.6 Excerpt from Statement by Congressman Sadowski in Introducing H.R. 6949 to amend Communications Act of 1934, January 24, 1950:

"However, as I have stated, the demands for space in the radio spectrum both on the part of the Federal Government and private applicants have been increasing constantly. Simultaneously, the difficulty of reconciling the actions of these two authorities has grown. As a matter of fact, the charge has been made publicly that as a result of the inadequacy of this machinery private applicants for space in the spectrum have come out second best. It has been contended that the Federal Communications Commission has been given to distribute among private applicants that portion of the spectrum that has been left over after the Federal Government agencies took the space that they desired.

"This is a serious charge, indeed, and in a democracy it is poor business to leave the apportionment of an important natural resource like the radio spectrum, as between Federal Government and non-Government uses, to a planless system of compromises between two public bodies, each sovereign in its own field, neither of which is responsible to the people for the apportionment that results from their respective actions. And yet, under the Communications Act as it now stands, this procedure is the only possible one.

"It is my belief that under our system of government the apportionment of the radio spectrum as between Federal Government and

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"non-Government uses must be entrusted to public officials responsible to the President and the Congress and through them to the people. . . ."

(Library Ref. CA 19)

2.7 Excerpt from a Report to accompany S. 1973 by Senator McFarland, July 21, 1950:

". . . . It should be noted that no attempt has been made in this legislation to deal with any changes in policy affecting radio or television broadcasting, nor policies affecting common carriers by radio or telegraph. Your committee is well aware that extensive testimony has been offered in the past and numerous recommendations made, including some by this committee, with respect to such policy matters. While the committee does not close the door to such policy provisions, it desires to point out that studies on these points are now being pursued; that the subject of most pressing importance today in the field of radio is the functioning of the Commission."

(Library Ref. CA 11)

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BACKGROUND - PROBLEM #3

September 3, 1950 (1)

3. BACKGROUND MATERIAL SUGGESTING THE EXISTENCE OF PROBLEM NO. 3
(UN SOUND CONDITIONS IN THE DOMESTIC TELEGRAPH INDUSTRY)

General Summary

Comparison of the graphic presentations in Attachments 3/2 and 3/4 indicates that the trend lines for the two carriers, both of which offer a domestic record communication service, show totally different results over a long period of time. There are some basic reasons for this difference of course; the outstanding contrast is that the Bell System Service has increased to a gross of about 46 million dollars a year, whereas the Western Union Service shows a consistent decrease in revenue over a long period of time.

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BACKGROUND - PROBLEM #3

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3.1 Attachment 3/1

3.11 A chart presenting the net income of the Western Union Telegraph Company by years for the period 1926 to 1949 inclusive in thousands of dollars. (First six months of 1950 included).

3.2 Attachment 3/2

3.21 A graphic presentation of the figures shown in attachment 3/1, excluding the first six months of 1950. The trend line shown is a visual estimate.

3.3 Attachment 3/3

3.31 A chart presenting the gross revenue of the Bell Telephone System, (AT&T), Record Communication Service (TWX) by years for the period 1926 to 1949 inclusive in thousands of dollars. These figures reflect the combined revenue from Leased Line Telegraph and TWX Service. The figures are quoted in terms of gross revenue instead of net income. The net income figures are not readily computable in view of the fact that the same plant installation serves both Telephone and Record Communication Services.

3.4 Attachment 3/4

3.41 A graphic presentation showing a breakdown of the gross revenue outlined in Attachment 3/3. This breakdown shows the revenue figures for the Leased Line Telegraph Service and the TWX Service separately. The trend lines shown for each service are visual estimates.

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Attachment 3/1

September 1, 1950

THE WESTERN UNION TELEGRAPH COMPANY

Net Income Transferred to Surplus
Years 1926 - 1949
(Thousands of Dollars)

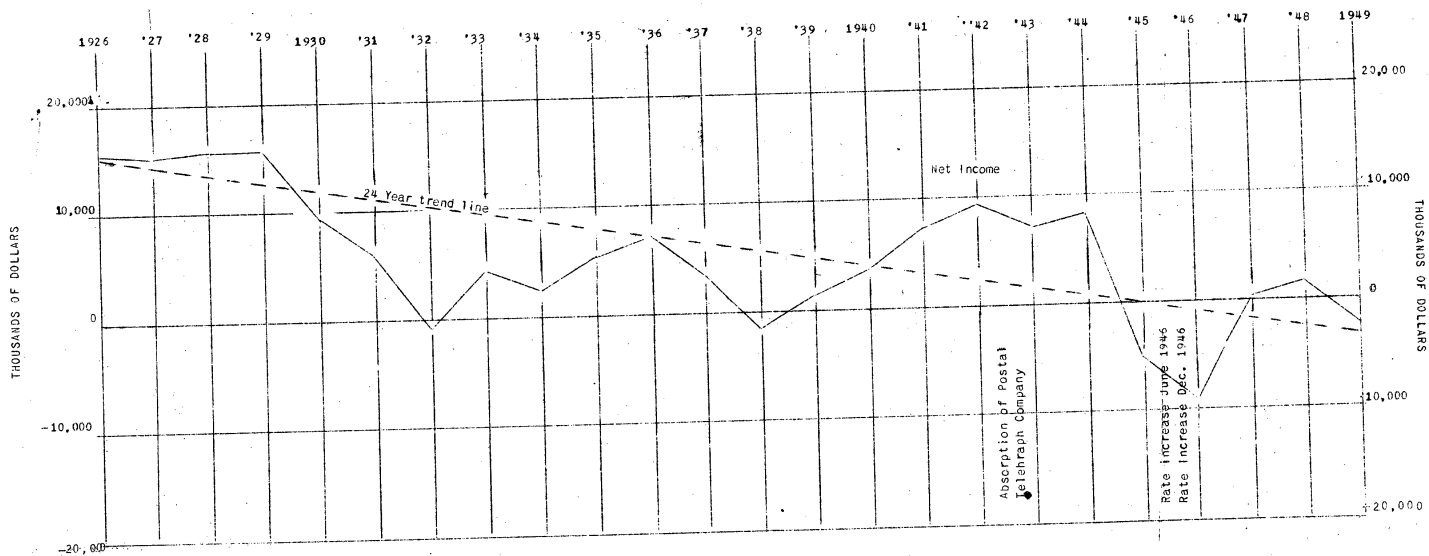
<u>Year</u>	<u>Net income transferred to surplus</u>
1926	\$ 15205
1927	15030
1928	15468
1929	15475
1930	9247
1931	5975
1932	(843)
1933	4365
1934	2243
1935	5258
1936	7199
1937	3326
1938	(1638)
1939	1380
1940	3622
1941	7366
1942	9354
1943	7235
1944	8316
1945	(5149)
1946	(8904)
1947	412
1948	1621
1949	(2499)
1950 First 6 months	3206

Note: Parentheses denote loss.

Source: Carrier's annual reports (FCC)

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Attachment 3/2

THE WESTERN UNION TELEGRAPH COMPANY
NET INCOME TRANSFERRED TO SURPLUS
YEARS 1926-1949



P.C.P.B. #2
Attachment 3/3

September 1, 1950

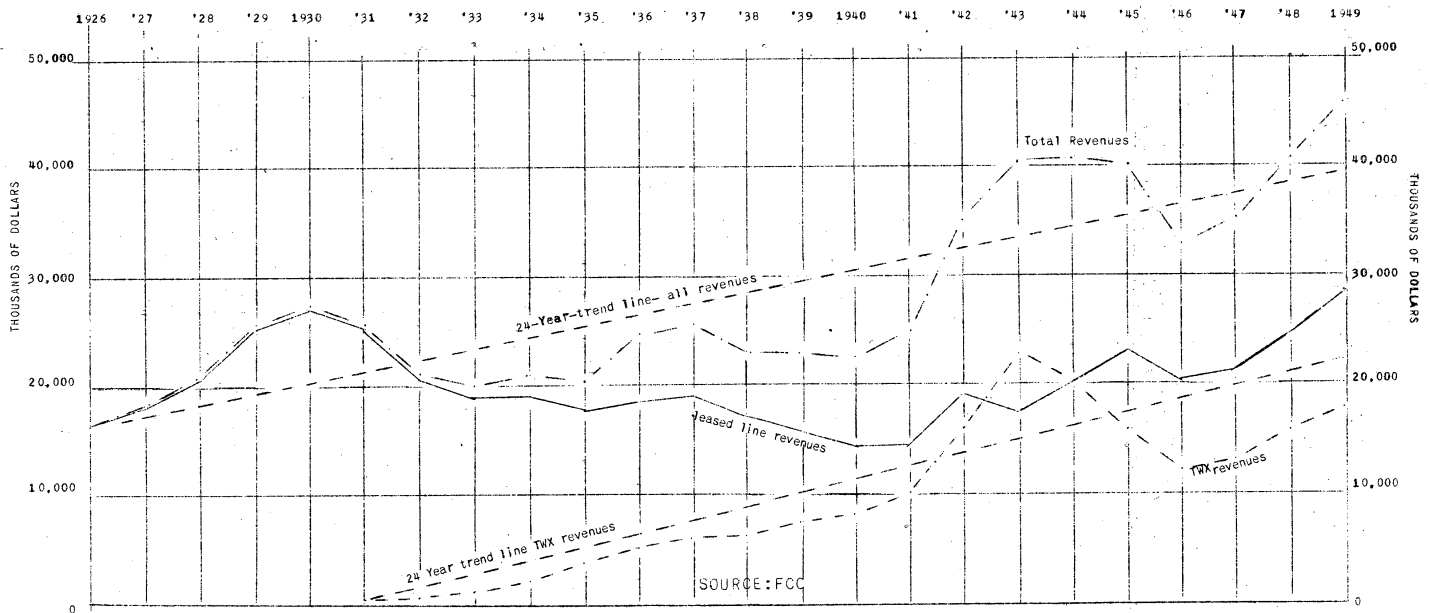
BELL TELEPHONE SYSTEM
SUMMARY OF REVENUE DATA FROM RECORD COMMUNICATIONS SERVICES
YEARS 1926 - 1949
(THOUSANDS OF DOLLARS)

<u>Years</u>	<u>Teletypewriter Exchange Service Revenues</u>	<u>Leased Line Telegraph Service Revenues</u>	<u>Total Telegraph Service Revenues</u>
1926	\$ -0-	\$ 16579	\$ 16579
1927	-0-	18016	18016
1928	-0-	21056	21056
1929	-0-	25196	25196
1930	-0-	27033	27033
1931	6	25238	25245
1932	514	20769	21283
1933	994	19028	20023
1934	2276	19131	21407
1935	3809	17390	21200
1936	5641	18654	24295
1937	6677	19222	25899
1938	6709	16948	23658
1939	7661	15785	23447
1940	8310	14660	22970
1941	10029	14881	24910
1942	16047	19312	35359
1943	23242	17485	40728
1944	20408	20500	40909
1945	16754	23375	40130
1946	12788	20565	33354
1947	13574	21596	35171
1948	16100	24896	40996
1949	17725	28607	46333

Source: FCC

P.C.P.B. #2
Attachment 3/4

BELL TELEPHONE SYSTEM
REVENUE FROM RECORD COMMUNICATIONS SERVICES
6 YEARS 1926-1949



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BACKGROUND - PROBLEM #4

4. BACKGROUND MATERIAL SUGGESTING THE EXISTENCE OF PROBLEM NO. 4
(EFFECTIVENESS OF FCC)

4.1 General Summary

- 4.11 The excerpts presented herein as background material suggesting the existence of Problem No. 4 all lead to the conclusion that the technical advances of radio communications, numerous international telecommunications conferences, and the general increase in radio communications activity, notably in broadcasting and television, have combined to increase the workload of the FCC.
- 4.12 The present attempt at reorganization of the FCC is also highly indicative of the fact that the FCC has had sufficient initiative to recognize its own inadequacies and to attempt to overcome them, in part at least, by self-imposed reorganization.

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BACKGROUND - PROBLEM #4

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4.2 Excerpts from Hoover Task Force Report on FCC, January 1949:

"The outstanding attribute of the Commission today is its lack of a comprehensive regulatory program. The Commission has been primarily concerned with applications for broadcast station licenses. As a result, its responsibilities with respect to the regulation of the telephone and telegraph industries have received secondary attention. The other radio services are being developed and exploited with a minimum of Commission guidance."

". . . . The Commission has thus been found to have failed both to define its primary objectives and to make many policy determinations required for efficient and expeditious administration."

". . . . A serious impediment to the Commission's realization of its full potentialities as a regulatory agency has been its inability adequately to tap the resources of its staff."

". . . . The resulting diffusion of responsibility has been particularly noticeable in the planning and programming of regulatory activities, where the staff work has proceeded virtually without direction or initiative."

". . . . The Commission might find it advisable to postpone the adoption of panels until the other recommendations have been given an adequate trial. These may well alleviate the present work load sufficiently to enable all the Commissioners to act on matters which require attention at Commission level. Further delegation to Commissioners and the staff may leave the Commission with a manageable work load."

(Library Ref. Rg 1)

4.3 Excerpts from testimony of Chairman, FCC, before the Subcommittee of the House Committee on Interstate and Foreign Commerce, August, 1950:

". . . . the Commission has no objection to that part of Section 5(d) of S. 1973 which requires the Commission periodically to take time at its meetings to examine its work load and to consider means of expediting its business. It is believed that any requirement that the Commission make such a comprehensive review every month, as presently provided in the McFarland Bill, might result in additional delays rather than in the expedition of the Commission's work which is desired."

(Library Ref. CA 22)

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BACKGROUND - PROBLEM #4

4.4 Excerpt from letter of transmittal signed by Wayne Coy, December 30, 1949, accompanying the Annual Report of the Federal Communications Commission for the fiscal year 1949:

"Covering as it does the fifteenth year of operations by this Commission, the current report is particularly significant in reflecting the mushrooming growth of the nonbroadcast services, and the steps that have been taken by the Commission to provide for new or augmented safety and special radio facilities to better serve the public and industry. Broadcast activities are marked by the booming interest in television, and the attendant problems being dealt with by the Commission in order to meet the demand for video expansion and improvement. At the same time, the Commission's regulatory functioning has been taxed by events in the common carrier field.

"The Commission is hard pressed to keep abreast of kaleidoscopic technical developments affecting both wire and radio communication, and its normal field operations have been curtailed to some extent by diverting manpower to projects with higher priority. In addition, the Commission has increased responsibilities with respect to United States participation in, and adherence to, international conferences and pacts looking toward uniform global communication practices.

"Though its mounting administrative and regulatory work has necessarily suffered from personnel and other budgetary restrictions, the Commission's accomplishments in this year of unprecedented electrical communication progress constitute a fitting fifteenth anniversary record. . . ."

(Library Ref. Rg3)

P.C.P.B. #2
BACKGROUND - PROBLEM #5

September 3, 1950 (1)

5. BACKGROUND MATERIAL SUGGESTING THE EXISTENCE OF PROBLEM NO. 5
(FORMULATING AND IMPLEMENTING NATIONAL TELECOMMUNICATIONS POLICY)

5.1 General Summary.

5.11 The excerpts of the statements before the Interstate & Foreign Commerce Sub-Committee on Communications, and the report on Independent Regulatory Commissions, outline points of view that indicate a lack of adequate Telecommunication Policy and the means of implementing such policy if it were available.

5.12 The Staff of this Board, actuated by Executive Order 10110, Paragraph 2, which directs this Board to evaluate and make recommendations on specific and related policy matters including alternative administrative arrangements for effectuation, started the expansion and evaluation of this Problem #5. This expansion and evaluation, which has only progressed to a minor degree, has clearly indicated to the staff that in the National Interest, it is necessary and desirable to:

a. Collect through research and study, the stands, positions, policies, agreements, refutations and compromises to be found in the records of U. S. Telecommunications, and create therefrom the significant policies considered necessary to form the basis for overall National policy in language acceptable to the majority of the interested agencies. This compendium of policy could also form part of the Board's response to Paragraph 2 of the Executive Order, and,

b. To formulate, as further directed by Paragraph 2 of the Executive Order, a workable administrative arrangement for effectuating the policies visualized under "a" or to serve any additional purposes that the Board may visualize.

P.C.P.B. #2
BACKGROUND - PROBLEM #5

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5.2 Excerpts from FCC Special Report on Frequency Allocations to the Communications Sub-Committee of the Committee on Interstate and Foreign Commerce, U.S. Senate and House of Representatives, March 29, 1950:

March 29, 1950:

" However, in any effort to make the most economical use of frequencies in a manner that will best serve the public interest and avoid conflicts in assignments, we must know our basic overall policy. We must have answers to questions such as to what extent should the Federal Government operate its own communication systems for carrying its own communications? To what extent should Government, including the military, rely upon the facilities of private carriers? Should our private overseas communications systems be competitive rather than a regulated monopoly? These are only illustrative of the basic problems that arise. And neither existing legislation nor our present administrative machinery provides standards for determining frequency allocations between Government users collectively and other users collectively. Nor does such legislation or administrative machinery provide standards or principles upon which to base the division of available frequency space among the several Government users."

" The Commission does, however, believe that it has pointed to the underlying problem with which we are faced and which must be solved if we are to achieve sound and effective improvement in the handling of frequency matters domestically and in the formulation of international policy with respect to such matters. Once decisions are reached concerning the basic questions of substantive policy, answers to the important questions relating to the machinery for implementation of the established policies in terms of frequency allocations for the several services and in terms of particular station assignments should be more clearly indicated."

(Library Ref. CA 20)

5.3 Excerpts of Statement of Mr. De Wolf, Chief, Telecommunications Policy Staff, Department of State, before House Sub-Committee of the Interstate and Foreign Commerce considering H.R. 6949:

" On the whole, it can be stated that the Committee /TCC/ has proved most helpful in the past and I believe it will continue to serve a need of this Government to reach a unified policy in the field of telecommunications which is essential if the State Department is to have an adequate basis for obtaining the necessary international agreements so essential to the maintenance of United States telecommunications. The Department /State/ has proposed a reorganization of the Committee and has set forth specific proposals which it is believed will rectify some of the basic difficulties experienced in the past."

O.P.B. #2

BACKGROUND - PROBLEM #5

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One of these is:

"1. A policy committee should be set up at sub-cabinet level to consider only the very highest policy matters to resolve unreconcilable controversies existing in the 'executive committee.'"

(Library Ref. CA 13)

5.4 Excerpt from Hoover Committee on Independent Regulatory Commissions, Staff Report on the FCC, November, 1948:

"There is one facet of our foreign communications policies which apparently has not proceeded on a wholly satisfactory basis. Those policies are involved in the negotiation not only of communications treaties, but also of aviation and marine treaties. In the marine field, there have been workable methods for the coordination of policies between the government agencies interested in shipping and those concerned with telecommunications. The same situation apparently has not obtained in the aviation field."

"The real problem in this field seems to be in the lack of clarity of the Department of State's position with respect to responsibility for international aviation policies and conference work. While the delegation instructions developed by the Air Coordinating Committee (ACC) must be cleared through the State Department, State apparently has not taken sufficient interest in the subject to enable it to spot conflicts between aviation and communication policies. A lesser problem involved the coordination within the several agencies which are members of both ACC and TCC of their internal positions."

(Library Ref. Rg 1)

P.C.P.B. #2

September 3, 1950 (1)

BACKGROUND - FOR STUDY #6

6. BACKGROUND MATERIAL SUGGESTING THE NEED FOR STUDY NO. 6
(MERGER OF COMMERCIAL OVERSEAS COMMUNICATIONS COMPANIES)

General Summary

A review of the material listed in this outline indicates declining revenues for the industry over a long period of time.

F.C.P.B. #2

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9/3/50 (1)

BACKGROUND - FOR STUDY #6

6.1 Quotation from "Staff Study for the President's Communications Policy Board" by RCA, June 15, 1950:

" There are thirteen United States international telegraph carriers and the present and potential traffic is not nearly sufficient to support them.^{1/} The Communications Act of 1934 prohibits mergers which would permit the industry to find its own remedy.^{2/} The result is that the United States, with its manifold interests expanding throughout the world and with a position of leadership to maintain in international affairs, is very much in a subordinate position so far as world-wide communications are concerned.

"The total claimed rate base of the international telegraph industry is around \$71,000,000.^{3/} Earnings on this investment, with an average annual gross revenue of approximately \$40,000,000^{4/} during the post-war period, present the following sorry picture:

<u>"Year</u>	<u>Net Earnings (after taxes^{5/})</u>
1946	\$ (448,000)
1947	(3,164,000)
1948	(1,309,000)
1949	126,000 ^{6/}

(Parentheses indicate Loss)

"^{1/} See FCC international telegraph rate proceedings, FCC Docket No. 8230 (1947-1950).

"^{2/} Sections 313, 314.

"^{3/} Table I, FCC Report in Docket No. 8230, January 30, 1950. This figure does not include the claimed rate base of Radiomarine Corporation of America and of the marine service of Mackay Radio and Telegraph Co., Inc. The figure is much smaller, of course, than the cost of replacement of the properties.

"^{4/} Ibid.

"^{5/} Based on Annual Reports of carriers to the FCC and Exhibits submitted in FCC Docket No. 8230.

"^{6/} Includes several large non-recurring items of income, in part due to sale of plant. Actual operations were conducted at a loss."

(Library Ref. Rp 1)

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BACKGROUND - FOR STUDY #6

6.2 Attachment 6/2

6.21 Chart showing the net revenue in thousands of dollars, by year, for the period 1926 to 1949 inclusive, separately for the cable and radio carriers and the totals of both.

6.3 Attachment 6/3

6.31 A graphic presentation showing the net income performance of United States International Telegraph Carriers for the period 1926 to 1949 inclusive, in thousands of dollars, based upon the figures shown in Attachment 6/2.

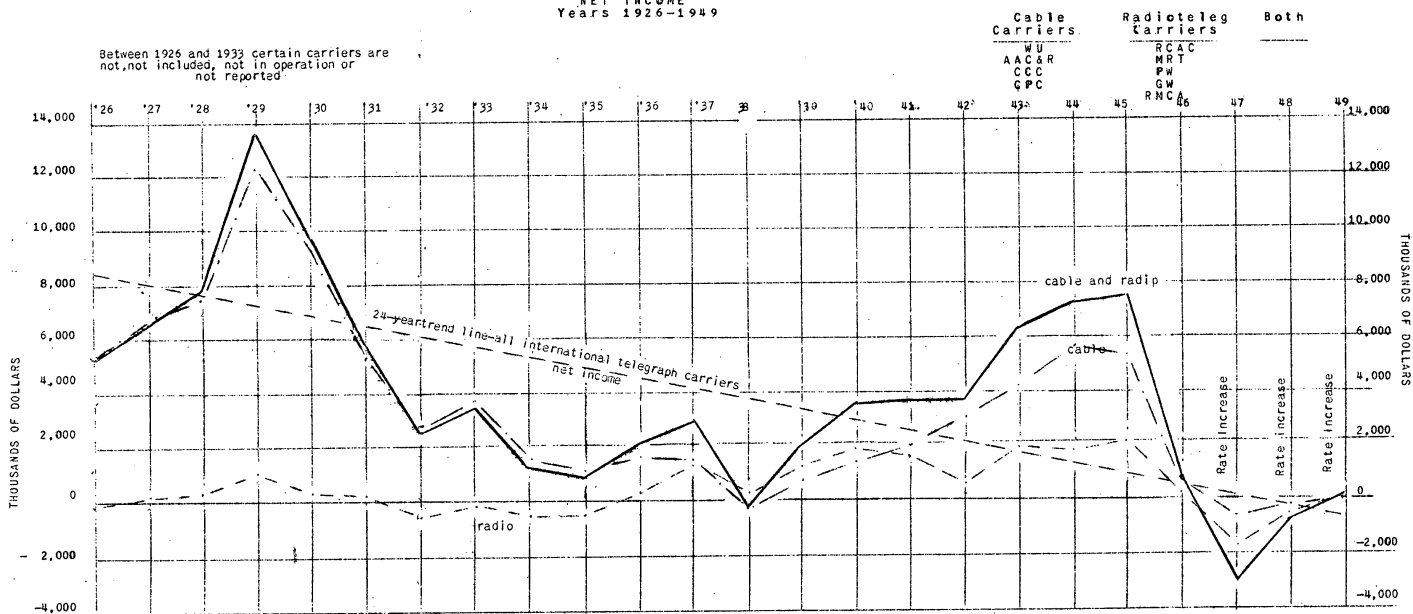
The trend line shown is a visual estimate.

P.C.P.B. #2
Attachment 6/3

INTERNATIONAL TELEGRAPH CARRIERS

NET INCOME
Years 1926-1949

Between 1926 and 1933 certain carriers are
not included, not in operation or
not reported



SOURCE: FCC

P.C.F.B. #2
BACKGROUND - FOR STUDY #7

September 3, 1950 (1)

7. BACKGROUND MATERIAL SUGGESTING THE NEED FOR STUDY #7.
(EXTENT OF GOVERNMENT OPERATION)

7.1 General Summary.

The available background material of number 7 is rather limited at the time of this writing. However, it is closely related to Problems #3 and #6, "Unsound Conditions in the Domestic Telegraph Industry", and "Merger of Overseas Communications Companies", respectively.

7.2 Statements from the Report of Department of State to Communications Sub-Committee of Senate Interstate and Foreign Commerce Committee -

"The successful conduct of operations of the Department of State requires an unimpeded flow of instructions and information between the Department and its Foreign Missions. Practically all forms of Communications are utilized in accomplishing this end with Telegraph Service playing an important role because of the distance involved and the constant pressure of time.

"In its utilization of telegraph services, the Department functions as a user and not as an operating agency. It does maintain its own internal message centers and in Washington and at a few of the larger posts abroad, telegraph centers for the centralization of exchange with the commercial carriers and the Army and Navy Communication Centers."

(Library Ref. CA 29)

7.3 The Navy in replying to same Senate Sub-Committee stated in Section 4 of Part I of their report that -

"The degrees of readiness of the operating forces for modern combat depends to a large extent on the Communications means established, ready and available. Moreover, it is vital to our national security under present day circumstances that adequate means for prompt transmission of intelligence and warnings be instantly available. Consequently, it is essential that links between the U. S. Navy shore radio stations providing support to the operating forces be maintained in continuous operation."

(Library Ref. CA 30)

7.4 The Army in its reply to the Senate Interstate and Foreign Commerce Committee stated -

"The U.S. Army finds it possible to handle radio traffic for some other government agencies due to the fact that no effort is required for processing, recording or accounting. Space capacity is available a major portion of the time, how-

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BACKGROUND - FOR STUDY #7

over, all agencies understand that their traffic will be refused whenever transmission difficulties are encountered or military traffic completely occupies available capacity. Except for certain urgent messages of the Department of State, it has been necessary to suspend this privilege for several days at a time."

(Library Ref. CA 32)

- 7.5 Public Law 402, 1948 (The Smith-Mundt Act) authorized the Secretary of State (Title V, Section JO1) "to provide for the preparation and dissemination abroad of information about the United States, its people, and its policies, through radio and other information media" The Act also provides that "nothing shall be construed to give the Department a monopoly in the production or sponsorship on the air of short-wave broadcasting programs. . . ."
- 7.6 The basic policy of the Federal Supply Service of the General Services Administration, which operates under Public Law 152 - 81st Congress, as regards public utility services of the Federal Government, reads as follows:

"Basic Policy.

- a. It is the policy of the Administrator to promote and assure economy and efficiency in the procurement and supply of public utility services and in the management of public utility services.
- b. It is the policy of the Administrator to effect maximum utilization of existing facilities for utility services consistent with efficient and economical management.
- c. It is the policy of the Administrator, to the extent feasible, to provide for area contracts of utility services in order to achieve maximum services at the lowest possible cost to the Government."

(Library Ref. Rg 6)

- 7.7 Excerpt from Staff Study by RCA, dated June 15, 1950, to this Board covering the relationship of government communications to non-government communications:

"The development of government-operated communications services has never been subject to a guiding national policy. Consequently there has been, particularly following the war, a mushrooming of services duplicating each other and duplicating the commercial services. (See statement from 1948 Annual Report of Secretary of the Army, p. 107.) The carriers have repeatedly protested against this trend. (RCA's first protest was addressed to President Hoover in 1930. Letter dated December 27, 1930

P.C.P.B. #2

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BACKGROUND - FOR STUDY #7

investigate the subject have been made in both the Senate, (S. Res 63, 81st Congress), and House, (H. Con. Res. 16, 81st Congress), but no change in the situation has resulted.

"In contrast to the international record communications industry, its competitors - the airmail and the telephone services - benefit directly and indirectly through government support and through large scale government purchases of service.

"No means are available to us for determining the complete cost to the government of conducting its radiotelegraph operations. Large items of appropriations allocable to operating expense do not appear as such under the governmental bookkeeping methods. Government agencies are not required to charge off depreciation. Very substantial items of overhead, including the hire of supervisory employees, disappear in the general administrative sections of departmental budgets.

"If the factor of actual cost to the government were accurately ascertained, and if policy in the furnishing of communications service were rested solely on that ground, the result would be to curtail existing governmental services and let the private carriers do the job.

"More important than cost, however, is the national interest in maintaining a healthy private communications system. Despite these factors, the traffic files of the government services steadily increase, both in terms of the number of words transmitted and of the percentage which this traffic bears to the national total. The commercial files, on the other hand, show a steady decline. Actions of the government agencies have not been coordinated in the interest of achieving a sound long term policy.

"Apparently the only recognition of this important long term policy problem has come from the Congress (See statement of Senator Ernest W. McFarland, June 4, 1949, in connection with S. 1973.)"

(Library Ref. Rp 1)

7.8 Excerpt from a letter dated October 14, 1949, from President Marshall of Western Union to Senator McFarland:

". . . . Another consideration, secondary only to the demands of national security, is the necessity for an adequately financed record communications system. Congress itself established a "chosen instrument" to serve the requirements of the public in the domestic telegraph field. It sponsored consolidation of Western Union and Postal, recognizing that in a field which is a natural monopoly, the public interest would be better served by unification of plant equipment and personnel,

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BACKGROUND - FOR STUDY #7

subject to appropriate regulation. However, experience under this merger legislation indicates that the Congress did not go the full distance and permitted a residue of competitive enterprises within the voice communications system and within the federal government itself. This character of competition, with the resulting diversion of traffic, together with the burdensome and volume-discouraging excise tax, has forced the company into continued deficit operation. It is a matter of simple arithmetic to establish that these factors have spoiled the margin of difference between profit and loss. . . ."

(Library Ref. Rt 21)

- 7.9 Study under preparation by Dr. Fair - "Competition of Federal Government with Commercial Companies in Domestic Record Communications".

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BACKGROUND - FOR STUDY #8

8. BACKGROUND MATERIAL SUGGESTING THE NEED FOR STUDY NO. 8.
(REVIEW FROM STANDPOINT OF MONOPOLY.)

General Summary.

There has been too little evidence prepared to draw any definite conclusions with regard to number 8. However, what material has been prepared speaks for itself.

P.C.P.B. #2

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BACKGROUND - FOR STUDY #8

8.1 Attachment 8/1.

8.11 A chart showing gross revenues in millions of dollars, by year, for the period 1926 to 1949 inclusive, for Bell System Telephone operations and other Class A Telephone Companies. (Class A Telephone Companies are defined as those having annual gross revenues of \$100,000 or more.) The percentage of Bell System revenues as against all other Class A Telephone System revenues is also shown in this chart. Telegraph revenues are not included.

Note: It is probable that the percentage of gross revenue from the smaller telephone companies not represented in this chart approximate five percent of the total industry revenue.

8.2 Attachment 8/2.

8.21 A graphic presentation of the percentage of Bell System telephone revenues to the total of U.S. Class A telephone gross revenues, based upon the figures in Attachment 8/1.

P.C.P.B. #2
Attachment 8/1

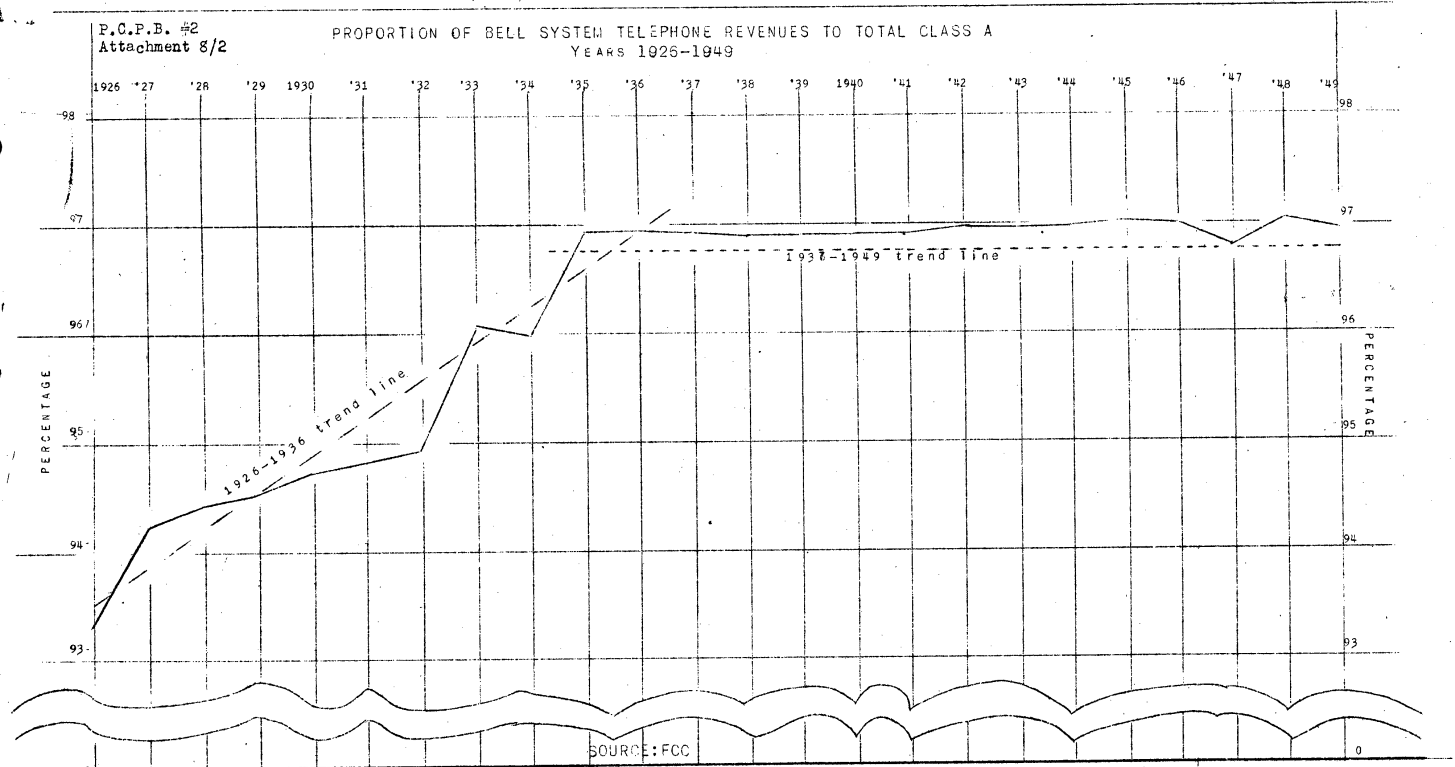
September 1, 1950

GROSS REVENUES
U.S. TELEPHONE SYSTEMS
IN MILLIONS OF DOLLARS

	<u>Bell System</u>	<u>Total Class A*</u>	<u>Percentage Bell to all Class A</u>
1926	789	845	93.3
1927	857	910	94.2
1928	932	988	94.4
1929	1020	1080	94.5
1930	1050	1109	94.7
1931	1025	1081	94.8
1932	912	961	94.9
1933	840	875	96.0
1934	845	881	96.0
1935	902	931	97.0
1936	972	1003	97.0
1937	1026	1058	97.0
1938	1028	1061	96.9
1939	1082	1116	96.9
1940	1149	1185	96.9
1941	1271	1312	96.9
1942	1432	1477	97.0
1943	1606	1656	97.0
1944	1722	1776	97.0
1945	1877	1934	97.0
1946	2039	2102	97.0
1947	2156	2227	96.8
1948	2540	2618	97.0
1949	2793	2881	97.0

*Class A telephone companies are those having annual average gross revenue of \$100,000 or more.

Source: FCC



P. C. P. B. #1

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